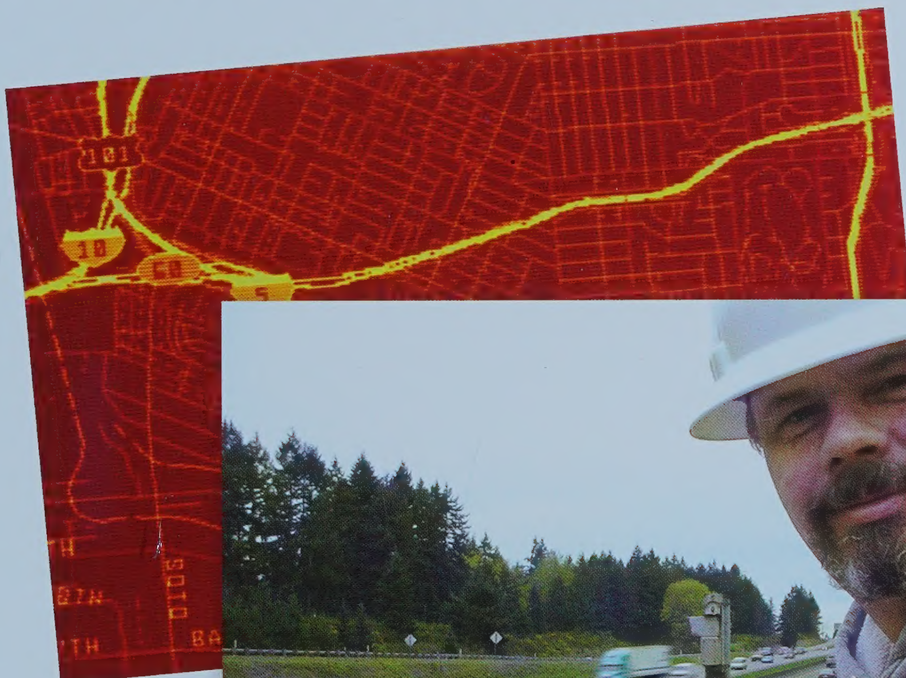
Leveraging our global

STRENGTHS



2005 annual report

ird

World Leader

International Road Dynamics Inc. (IRD) is a world leader in highway traffic management products and systems, operating internationally in the Intelligent Transportation Systems (ITS) industry.

With over 25 years of experience, IRD is a multi-discipline company specializing in advanced traffic control and toll management technologies. IRD's expert engineers design and supply automated toll road systems, automated truck weigh station systems, Weigh-in-Motion (WIM) systems, and advanced traffic control, management, data collection systems, and in-vehicle systems (IVS). In addition to IRD's products and systems, IRD also provides long term service and maintenance support.

International Road Dynamics Inc. has operational systems worldwide with major installations throughout Canada, the United States, Saudi Arabia, Pakistan, India, Bangladesh, China, Hong Kong, Australia, Thailand, Germany, Portugal, South Africa, Korea, Malaysia, Brazil, Colombia, Chile, Ecuador, Peru, Mexico, and many other countries.

www.irdinc.com

COVER PHOTO:
Blaine Meyers, IRD Field Technician

ANNUAL MEETING

The Annual Shareholders' Meeting will be held at the Sheraton Cavalier, Top of the Inn, 612 Spadina Crescent East, Saskatoon, SK on Wednesday, May 17, 2006, at 3:30 p.m. (Saskatoon time).

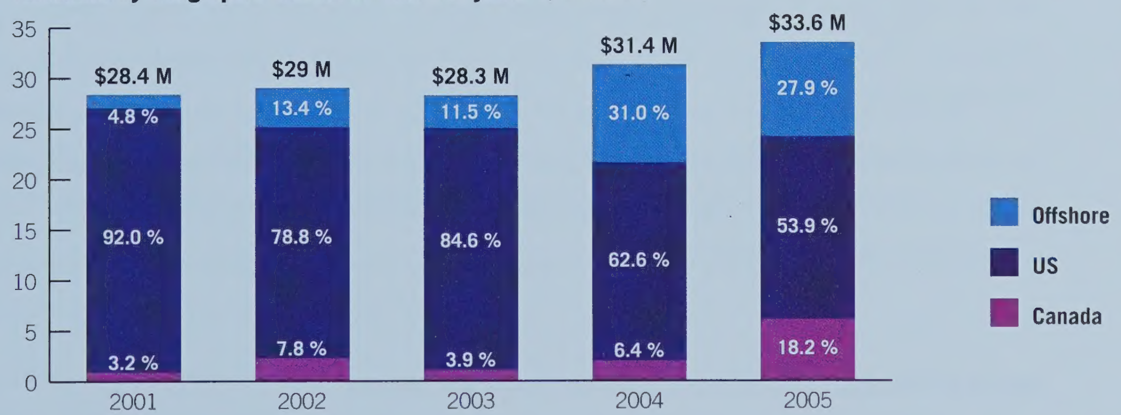
Table of Contents:

Period Ended November 30 (in $000 except per share amounts)	**2005**	**2004**
Sales		
Canada	6,097	1,997
United States	18,103	19,624
Offshore	9,350	9,735
	33,550	31,356
Net Earnings (Loss)	962	(917)
EPS - Basic	$ 0.07	$ (0.07)
Working Capital	7,831	7,716
Shareholders' Equity per Share	$ 1.00	$ 0.93

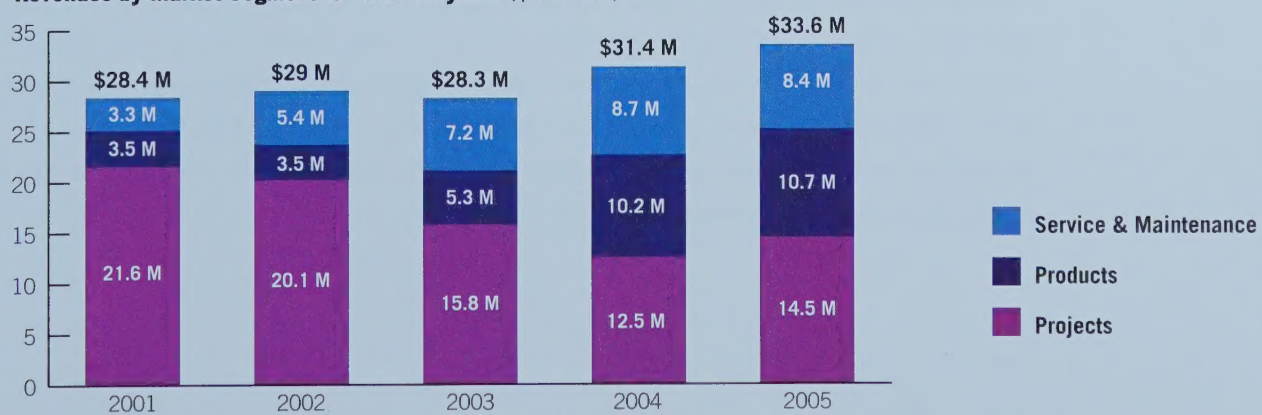
2005 Operating Highlights

- Strong growth in Canada
- Expanded and solidified presence in international markets
- Well positioned in U.S.
- Increased service and maintenance business enhances quality of earnings
- Increasing recurring revenue stream
- On-going, strategic investments in R&D
- Successfully introduced upgraded and enhanced product lines
- Passing of U.S. transportation bill bodes well for future growth

Revenues by Geographic Market for last five years ($ millions)



Revenues by Market Segment for last five years ($ millions)



Report to Shareholders

2005 was a solid year for IRD. We delivered on our goals, and by leveraging the considerable strengths we have built in our markets, we are poised to deliver solid growth in our business and enhanced value for our shareholders in the years ahead.

A Successful Year

With the continued delay in new transportation infrastructure funding in the United States during 2005, we successfully maintained our focus during the year on building our market share in other geographic regions, our service and maintenance business, and product areas.

With the establishment of IRD South Asia Pvt. Ltd., we significantly increased our market presence in a number of countries. The PAT acquisition is continuing to generate significant benefits, both in profit margins and international exposure. Our PAT Chile subsidiary is exceeding expectations, and the award of a large contract for the refurbishment of thirteen weigh stations in Brazil is an important accomplishment. Going forward, we will continue to build on this solid offshore market presence.

Our domestic sales in Canada increased significantly in 2005 with major weigh station contracts in New Brunswick, Nova Scotia and British Columbia, while sales in our U.S. markets remained stable.

We were pleased that revenues derived from our ongoing maintenance contracts remained strong in 2005. This solid and recurring revenue stream accounted for approximately 25% of sales during the year.

New U.S. Transportation Bill to Accelerate Long-Term Growth

The passage in the United States of the *Safe, Accountable, Flexible, and Efficient Transportation Equity Act – A Legacy for all Users* (SAFETEA-LU) bodes well for our business. Substantial funding increases in a number of areas related to highway safety, construction, and maintenance have been established through this Bill, as well as provision for the establishment of various ITS products in a number of States. With our strong reputation and solid market presence across the United States, we are confident we will see accelerated growth beginning in late 2006.

Investing in our Products

During 2005 we invested in enhancing a number of our product lines with state-of-the-art electronics and the addition of new features to increase their functionality and performance.

The deployment of IRD's new iSINC electronics was a major milestone in our goal to increase the reliability of our systems by providing environmentally robust industrial grade technology using low power components. The iSINC electronics package reduces our reliance on commercial off-the-shelf products and eliminates the need to re-design our core technology as these commercial products become obsolete or outdated. With fewer variations in deployed systems, and improved maintainability, system performance and availability is significantly improved. As a result, our customers' systems will operate more reliably.

In addition, our new iSINC technology, supports improved equipment validation using automated manufacturing testing tools. This advances delivery schedules and field deployments with a reduction in equipment and field installation costs.

We expanded the features and functionality of our in-vehicle systems (IVS) by integrating 802.11 wireless communication capabilities and remote data acquisition using CDMA and GSM cellular networks available throughout North America. These value added enhancements expand the range and functionality of our driver management and automated vehicle location (AVL) solutions. With the addition of a CANBus and OBD II interface module, our IVS solutions can now connect directly to vehicle data interfaces to capture real time vehicle system performance and engine fault code information.

In addition we have integrated on-board weight and central tire inflation systems to meet the needs of the forestry and oil and gas industries.

The release of our new Windows-based iAnalyze software for vehicle and weigh-in-motion (WIM) analysis and reporting solutions also significantly increased our product value. This software provides improved data capture, vehicle classification and data management features and provides customers with improved reporting and presentation tools for

identifying changes in highway traffic patterns. This software is the first in a series of enhanced iAnalyze packages which eventually will provide customers with an "enterprise" solution for automatically collecting, analyzing and validating traffic trends on a State and Province wide basis.

In addition to these important product upgrades and enhancements, we streamlined a number of operational procedures during 2005 to improve our manufacturing and production efficiency. Moving the PAT manufacturing operations from Europe to our North American facilities is generating a positive impact on our gross margins, while the implementation of our improved manufacturing test processes to increase throughput has also shown positive results.

Driving to Achieve $100 Million in Sales

While the last two years have been challenging due primarily to external factors beyond our control, we generated growth and much improved operating performance in 2005 compared to the prior year.

Going forward, our long-term goal remains to exceed $100 million in sales, and to surpass this target we will continue to expand into new markets, develop and improve new and existing product lines, and increase our strong presence in established markets to grow our business.

Over the longer term, we will leverage the significant strengths we have developed over the past few years. Our offshore business has grown significantly to where IRD is now the world's largest provider of WIM systems and related solutions for the global Intelligent Transportation Systems (ITS) market with an installed base of more than 2,500 systems throughout North, South and Central America, Europe, Asia and Australia. Ongoing investments in current and new product lines will ensure our customers are receiving the most advanced solutions with enhanced functionality, supported by "best-in-class" service, maintenance and support. The expected growth in the U.S. transportation industry resulting from the passage of SAFETEA-LU will contribute to the achievement of our growth target over the next few years.

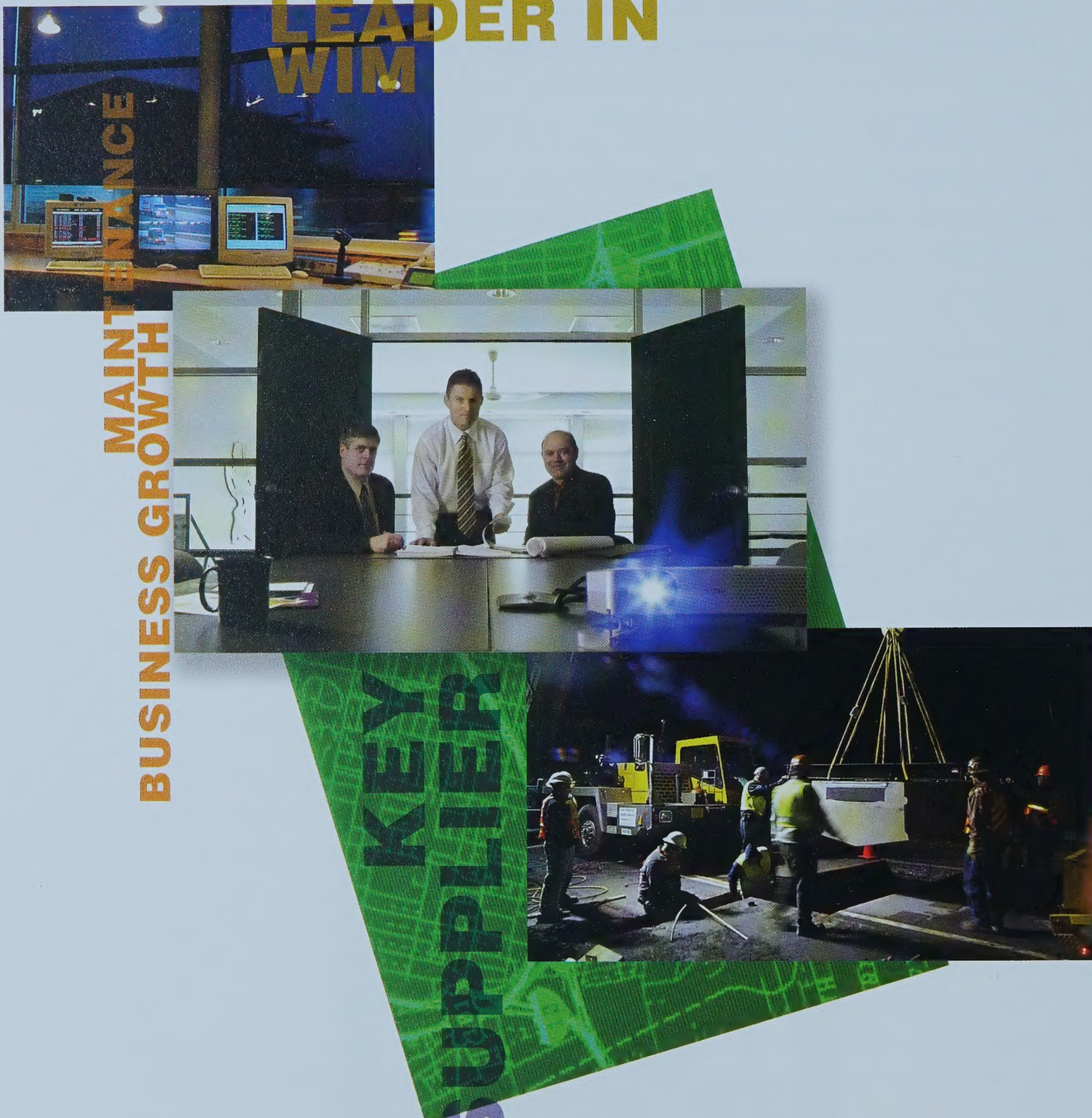
Acquisitions are a key factor in our ability to achieve our goals. We are currently in the process of formalizing our search for accretive acquisition opportunities that complement our current technologies while taking us into new aligned markets and product areas. The purchase of PAT in 2003 has generated considerable benefits for our shareholders, and we will build on this experience with additional growth opportunities going forward.

Our ultimate goal remains to generate enhanced value for our shareholders. We have a strong management team and board of directors, the product offering, the market presence and the vision to achieve this objective.

In conclusion, we thank everyone at IRD for their commitment and dedication. 2005 was a successful year, and we look ahead confident in our ability to build value for our shareholders over the long term.

Terry Bergan
President and CEO

GLOBAL LEADER IN WIM



MAINTENANCE

BUSINESS GROWTH

KEY SUPPLIER

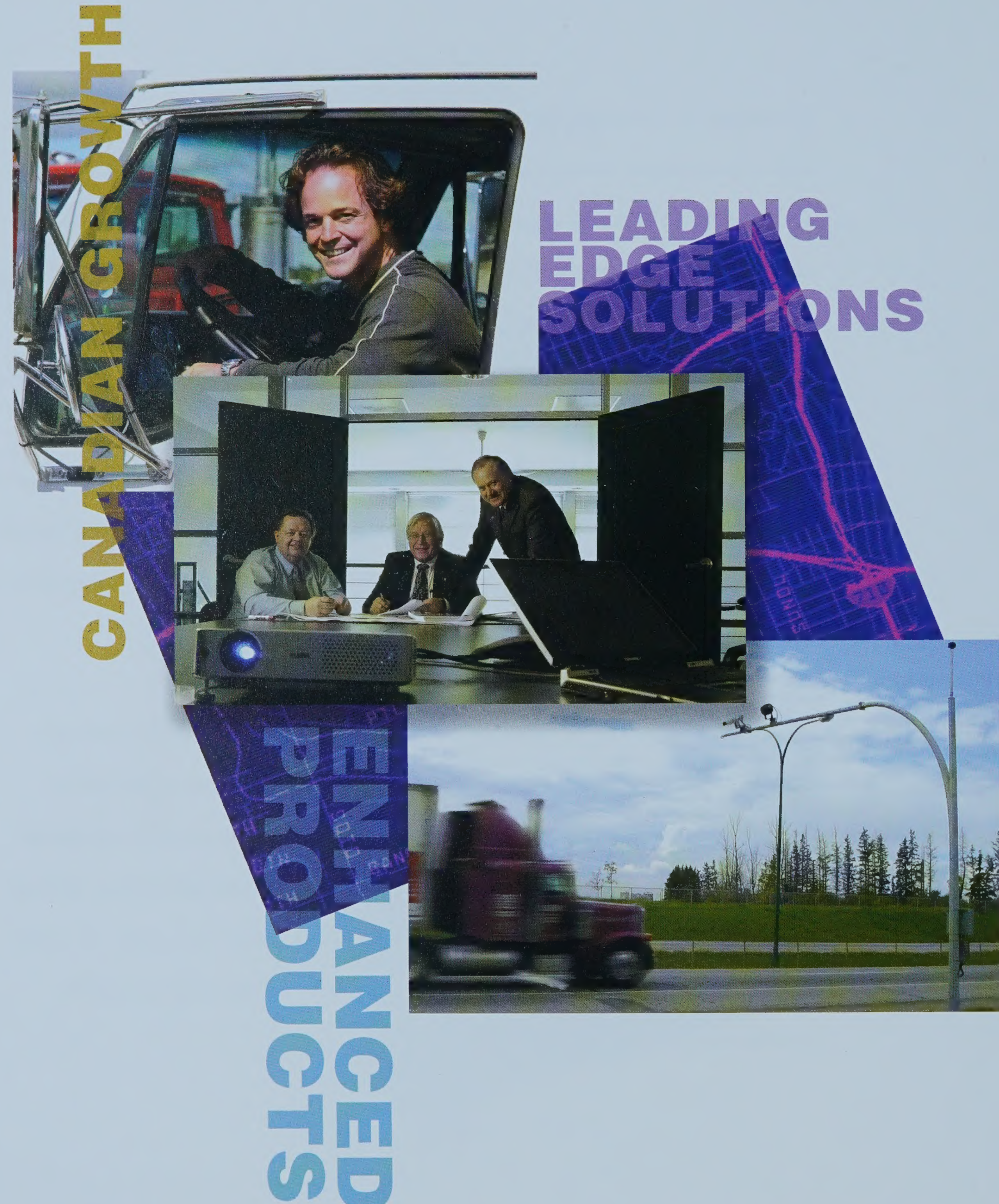
New U.S. Transportation Funding

On August 10, 2005 the United States Federal Government approved the *Safe, Accountable, Flexible, and Efficient Transportation Equity Act – A Legacy for All Users* (SAFETEA-LU), guaranteeing funding of more than $286 billion for highway, highway safety, and mass transit infrastructure investments. A number of important items in the Bill bode well for our growth in the United States over the next few years.

Appropriations in the Bill have been made for a number of areas that positively impact our business, including highway maintenance, bridge improvements, safety mitigation systems, Commercial Vehicle Operations (CVO) systems, and Intelligent Transportation Systems (ITS) research, development, demonstration, and deployment.

IRD remains a leading provider of weigh-in-motion (WIM) and related systems and technologies across the United States, and the positive implications of this Bill will further enhance our strong market presence. Our growing maintenance business will also benefit as we increase our recurring revenue base. For example, during 2005 we were awarded extensions of our maintenance contracts in eight U.S. states. As a key supplier of WIM and CVO systems throughout the U.S., we are excited about the opportunities for growth going forward.

Top Photo: IRD Weigh Station Control Room, U.S.A.
Centre photo (l-r): Randy Hanson, Executive Vice President and Chief Operating Officer; Greg Wallis, Vice President of International Business; Terry Bergan, President and Chief Executive Officer
Bottom photo: IRD Weigh-In-Motion Scale Installation, U.S.A.


CANADIAN GROWTH
LEADING EDGE SOLUTIONS
ENHANCED PRODUCTS

Leveraging our North American Presence

During 2005 we made significant progress in expanding our North American sales, led by key new contracts in Canada. During the year we were awarded new weigh-in-motion business in Saskatchewan, British Columbia, and Nova Scotia, as well as an award to supply and install two automated weigh stations in New Brunswick.

We increased our growing stream of recurring revenues with new maintenance contracts and we expect this business to grow as our exposure in the North American marketplace increases.

A demonstration of our advanced Virtual Weigh Station technology in California affirms our ongoing partnerships with key significant agencies and our ability to provide leading edge solutions for large projects.

Our products are what drive our business. That is why our research and development team is constantly pursuing ways to improve and enhance our product lines.

Top photo: Jonathan Glynn, IRD Field Technician
Centre photo (l-r): Brian Taylor, Vice President of Technical Systems and Business Development; Basil Ciepliski, Vice President of Project Operations and Customer Service; Rod Klashinsky, Vice President of Product Sales
Bottom Photo: IRD Virtual Weigh Station, Saskatoon, Canada


INTERNATIONAL GROWTH
SOLID PRESENCE
IRB SOUTH ASIA

Leveraging our International Growth

Over the last few years the Company has made significant strides to increase its presence in a number of offshore markets. Going forward we will continue to leverage our position as the world's leading provider of weigh-in-motion and related technologies to expand sales in regions where demand for ITS products is growing.

With the establishment of IRD South Asia Pvt. Ltd., our 100% owned subsidiary located in Delhi, India, we will capitalize on the increasing need for ITS and CVO products in the developing nations of South and Southeast Asia. During 2005 we were pleased to receive a new contract to install our iTOLL and WIM stations in India.

In addition, we were awarded our first major contract in Thailand as well as new WIM business in Bangladesh. As infrastructure is added and completed in these developing countries, we believe we are well-positioned for future growth going forward.

The acquisition of PAT Chile has been exceeding our expectations as our South American business grew considerably in 2005. PAT Brazil also continues to generate solid returns. The awarding of a new contract for the refurbishment of thirteen weigh-in-motion stations during the year is an excellent example and, as noted above, we have high expectations for IRD South Asia Pvt. Ltd.

Top photo: IRD Scale Installation, Brazil
Centre photo (l-r): Sharon Parker, Vice President of Corporate Resources; Lorne Green, Vice President of Finance and Chief Financial Officer; Mel Karakochuk, Vice President of Risk Management and Special Projects
Bottom photo: IRD Toll System, India

The following discussion and analysis of operating results has been prepared by management of the company as of February 8, 2006. The discussion and analysis is based on the Company's consolidated financial statements for the years ended November 30, 2005 and 2004 and should be read with reference to those financial statements and accompanying notes.

Management has evaluated the design of the Company's disclosure controls and procedures, including its consolidated subsidiaries, and has concluded that the disclosure controls and procedures are operating effectively.

Overview

International Road Dynamics Inc. is a supplier of integrated systems, products and services to the Intelligent Transportation Industry (ITS). The core strength of the Company is its ability to utilize a variety of technologies, including the Company's patented weigh-in-motion (WIM) technology, to detect, classify and weigh vehicles at highway speeds. This allows the Company to deliver computer automated systems to improve the operations of truck weigh stations, highway data collection systems, traffic safety systems, and highway toll collection systems.

Following is a breakdown of the Company's revenues by market sector for the last four years in $'000's:

	2005	2004	2003	2002
Weigh station systems	$ 6,580	$ 5,293	$ 9,885	$ 10,440
Data collection systems	3,516	2,365	2,453	5,436
Traffic safety systems	752	67	1,763	1,728
Toll systems	1,973	2,781	1,202	2,225
Maintenance contracts	8,364	8,710	7,186	5,430
Product sales	10,702	10,119	5,327	3,364
In-vehicle systems	1,663	2,021	472	322
	33,550	**31,356**	**28,288**	**28,945**

The Company's revenues are derived from selling integrated systems, products, and maintenance. Integrated systems are made up of a combination of the Company's proprietary hardware and software technology, custom engineering, installation and setup services, OEM equipment such as variable message signs, cameras and automatic vehicle identification readers, and construction and electrical services, which are subcontracted. In the past several years the amount of recurring revenue generated from maintenance contracts has increased to where it is now 25% of the Company's overall revenues.

In an effort to diversify its revenue base, the Company has developed specialized in-vehicle driver management systems by integrating hardware sold by Siemens VDO Automotive Corp. and others. Sales of these systems, which are sold primarily to private sector fleet operators in certain niche markets, showed promising growth in 2004 by increasing to

over $2 million. However these sales decreased 18% in 2005 due to delays in completing the development of value added features required to provide the customized solutions customers have requested. With the expected completion of this development in 2006 it is expected that sales growth will resume in 2006 and beyond.

Operating Results

The following selected financial information (in $'000's) is derived from the Company's financial statements:

	2005	2004	2003
Sales	$ 33,550	$ 31,356	$ 28,288
Net earnings (Loss)	962	(917)	664
Earnings (Loss) per Share	0.07	(0.07)	0.05
Total assets	25,353	26,162	25,544
Total Long-term financial liabilities	1,534	2,109	1,268

Following is a table of operating results (in $000's) for the eight most recently completed quarters:

	2005				2004			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
	$	$	$	$	$	$	$	$
Sales	7,653	10,082	8,648	7,167	8,394	8,745	7,553	6,664
Net Earnings (Loss)	27	407	440	88	(374)	(188)	(61)	(294)
Earnings (Loss) per Share	$ 0.00	$ 0.03	$ 0.03	$ 0.01	($ 0.03)	($ 0.01)	$ 0.00	($ 0.02)

International Road Dynamics Inc. recorded revenues of $33,550,204 in 2005, compared to $31,356,042 in revenues in 2004. Net operating earnings were $2,225,946 before interest, amortization, foreign exchange adjustments, other income, and taxes. The net earnings after including these items was $962,112 or $0.07 per share, basic and diluted, in 2005. In 2004 the Company reported an operating loss of $126,212 before interest, amortization, foreign exchange adjustments, other income and taxes, and a net loss of $917,084 or $0.07 per share.

Following is a breakdown of the Company's sales for the past four years by geographic segment in $000's:

	2005	2004	2003	2002
Canada	$ 6,097	$ 1,997	$ 1,112	$ 2,186
United States	18,103	19,624	23,921	22,817
Offshore	9,350	9,735	3,255	3,942
	33,550	**31,356**	**28,288**	**28,945**

Although a significant amount of the Company's revenues are derived from export markets, most of the engineering, manufacturing and management of IRD are delivered from IRD's Saskatoon location. With the acquisition of the traffic business of PAT in 2003, the Company acquired small manufacturing operations in Illinois in the U.S. and in Santiago, Chile. In 2005 IRD expanded its sales office in India to a full sales and service business operating as a new subsidiary. These new operations serve local markets as well as provide IRD with access to new markets. The acquisition of PAT also provided some new products that IRD distributes internationally. Installation and site service work is provided through a network of IRD employees and service partners located throughout the geographic sales regions. The expansion of the operation in India significantly increased IRD's capability to install and service equipment and systems in the South Asia region in a cost-effective way.

Gross margin for fiscal 2005 was 29.3% of sales compared to 25.8% in 2004. The primary reason for the increased gross margin in 2005 was an increase in engineering hardware and software integration services combined with a 15% reduction in engineering payroll costs, as well as increased margins on service and installation work. Revenues in the traditionally strong weigh station market remained suppressed due to a lack of significant spending increases in the U.S. market place. Weigh station revenues did increase during the year as a result of new weigh station systems delivered in New Brunswick, Nova Scotia and British Columbia. While IRD did introduce a new systems electronics technology in 2005, the Company had to maintain a core technology support group to maintain existing (legacy) system technologies and this reduced operating margins somewhat during the year. Product margins were not as high as expected in 2005 because lower sales of PAT bending plate scales meant the Company was unable to capitalize on lower manufacturing costs in Canada compared to Europe. IRD is currently well positioned to meet expected sales increases of the PAT bending plate scale and will benefit from lower replacement cost of this inventory.

Administrative, Marketing and Research and Development Expenses

Administrative and marketing expenses decreased by 1.8% in 2005 to $7,078,565, or 21.1% of sales from $7,209,061, or 23.0% of sales in 2004. The Company continues to focus on controlling all overhead expenses. In 2005 administrative costs associated with the establishment of a subsidiary company in India were more than offset by decreased marketing travel costs associated with less overseas travel. Generally, administrative and marketing expenses were lower in 2005, however group medical insurance premiums increased by 25% during the year.

Net expenditures on research and development were $533,699 in 2005 compared to $1,015,078 net expenditures in 2004. These amounts are net of recorded investment tax credits of $410,000 in 2005 compared to $920,000 in 2004. Gross expenditures on research and development in 2005 were $945,797 which is a 51.2% decrease from expenditures in 2004. In the 2004 fiscal year R&D expenditures increased as the Company focused on completing development of its new iSINC and iToll technologies for the weigh-in-motion and toll road markets. In 2005 the Company has continued an active program of technology development while some engineering resources have been redeployed to complete more revenue producing projects.

Foreign Exchange

In fiscal 2005 the value of the U.S. Dollar, in which the Company contracts most of its business, continued a declining trend which began in 2003. The average exchange rate for the 2005 fiscal year was $1.21 compared to an average rate of $1.31 for the 2004 fiscal year. From an exchange high of $1.58 in early January of 2003, the U.S. Dollar declined in value to $1.30 at the end of IRD's 2003 fiscal year, to $1.19 at the end of 2004, and to $1.17 at the end of 2005. Due to the international nature of the Company's business, it is exposed to gains and losses as a result of changes in the exchange rate between the Canadian dollar and the U.S. Dollar, the Chilean Peso, the Euro, and the Indian Rupee. In the third quarter of the 2004 fiscal year the Company began a program of hedging its exposure to fluctuations in these exchange rates through forward foreign currency contracts and the establishment of natural balance sheet hedges. In fiscal 2004 the U.S. Dollar appreciated somewhat through the first half of the year and a foreign exchange gain was recorded through the second quarter. Beginning in the third quarter the Company began selling U.S. Dollars through forward sales contracts. As a result the depreciation of the U.S. Dollar in the second half of the year did not have a significant adverse affect on operating results and for fiscal 2004 the Company recorded an overall

gain of $90,992 on foreign exchange. Throughout the 2005 fiscal year the Company maintained an active hedging program and as a result only a small foreign exchange loss of $14,738 was recorded for the year.

Amortization

Amortization expense in 2005 was $836,259 compared to $932,671 in 2004. Part of the reason for the decreased charge in 2005 is that capital expenditures were lower in 2005 compared to 2004 ($643,610 in 2005 compared to $736,334 in 2004). In 2005 the Company recorded an amortization charge of $115,320 for usage of its workzone rental systems (there was no such charge in 2004), while in 2004 the Company wrote down certain technology investments by an additional $118,661 to reflect its current value.

Interest Expenses

Interest charges increased in 2005 to $441,124 from $351,094 in 2004 primarily as a result of higher interest rates on the bank line of credit. In September, 2004 the Company transferred US $ 2 million of its existing operating line of credit from Canadian Dollars into U.S. Dollars. While this provided a natural foreign exchange hedge, the gap between interest rates on U.S. and Canadian debt widened in 2005 and as a result the debt was converted back into Canadian Dollars in September, 2005. Also in September, 2004, the Company established a $1,000,000 term loan with the Bank, using the proceeds to reduce the line of credit. This had the effect of converting some interest expense from short-term debt to long-term debt in 2005.

Equity Investment

In 2004 the Company entered the Brazilian market by investing in a 37% interest in PAT Traffic Brazil. This builds on the investment made in the business of PAT Traffic in 2003. IRD exercises significant influence over the operations of PAT Traffic Brazil and accounts for the investment using the equity method of accounting whereby the initial investment is recorded at cost and the investment is increased or decreased to reflect the Company's proportionate share of earnings or losses. As PAT Traffic Brazil was essentially building a new business in 2004, it recorded an operating loss for the 2004 fiscal year, of which IRD's proportionate share was $92,340. This loss is reflected on the Company's books by a write down of the initial investment and loans to PAT Traffic Brazil. In 2005 IRD increased its equity interest to 40% and, as a result of earnings from new contracts signed in 2005, recorded an increase in its equity interest of $197,488 in the fourth quarter of the year.

Income Taxes

A provision for current income taxes of $167,640 was made in 2005 compared to $129,836 in 2004. The increase is due to higher income reported in foreign tax jurisdictions.
The parent company will not pay income taxes in the current year because of the availability of losses and credits from previous years. However a provision for future income taxes in the amount of $75,000 was recorded in 2005. Operating losses in the parent company resulted in the recording of recovery of future income tax provisions of $509,000 in 2004.

Financial Resources and Liquidity

In 2005 the operations of the Company generated cash in the amount of $2,794,167 compared to a use of cash of $1,956,169 in 2004. Improved operating results and improved collection of accounts receivable were the primary reasons for the cash flow increase in 2005. From the 2005 cash from operations, $1,353,200 was used to pay down the bank line of credit and $575,353 was applied to long-term debt, including $504,000 on a two year term loan that will be completely retired in 2006.

Capital asset additions in 2005 included $189,274 for service vehicles, $195,270 for computer hardware and software, and $206,661 for new workzone safety rental equipment. Total capital expenditures for 2005 were $643,610 compared to $736,334 for fiscal 2004.

The working capital of the Company at the end of 2005 increased slightly, to $7.8 million compared to $7.7 million at the end of 2004.

Business Risks

International Road Dynamics Inc. operates in the rapidly changing environment of high technology. All companies in this industry are subject to competition and technological advances which can render existing products obsolete or unmarketable. Future operating results will depend upon IRD's ability to research, develop and market its current products and those under development. It faces competition from some companies with greater financial resources and larger marketing organizations.

The majority of IRD's revenues are generated as a result of the desire of transportation agencies around the world to monitor traffic, manage traffic, and enforce weight regulations on their roads. While the relative importance of this need makes IRD's market secure in the long run, periodic softness in this market occurs during economic recessions or as governments adjust their spending priorities for political reasons. This directly impacts IRD's revenues and profits. IRD is addressing this risk through research and development of new systems that allow it to adjust its business operations more quickly to suit market demand and by continuing to diversify its markets and products so that it relies less on government funded projects. IRD has taken steps to increase this diversification with the acquisition of PAT Traffic in 2003 which increased its presence in Europe and South America, and the establishment of IRD South Asia Pvt. Ltd. in India in 2005 which expanded its markets in Asia. IRD has also diversified its product offering to include more technologies, such as in-vehicle systems for use in non-government markets.

IRD has taken steps to limit its credit risk. Government accounts are considered secure and normally not subjected to extensive credit reviews. Industry accounts are subjected to internal credit reviews to minimize risk of non-payment. Export sales to non-government customers are insured to the extent of 90 per cent of the invoiced amount.

Outlook

For the past two years State governments in the U.S. have been unable or reluctant to commit funds to significant transportation capital projects because of delays in passing the new federal transportation budget. This new budget was passed into law in August of 2005 and guarantees through 2009 highway spending levels higher than in the previous transportation budget. It is expected that by the end of 2006 the increase in spending on ITS projects will have a positive impact on the revenues of IRD.

The global Intelligent Transportation Systems (ITS) business continues to present significant opportunity over the long-term as governments around the world invest in their highway and roadway infrastructure to enhance transportation efficiency and safety. As one of the world's leading providers of weigh-in-motion (WIM) technologies and related products and systems, IRD is strongly positioned to take advantage of these opportunities. However, the implementation and installation of ITS technologies is largely dependant on government funding, and there can be an extended time between the identification of a potential opportunity, the awarding of an order, and the installation of a system. Over the past two years the Company has achieved significant gains in revenues from offshore markets, including India, South America, China and Korea. Part of these new revenues are from sales of products acquired with the purchase of the business of PAT Traffic in 2003, and part of the increased revenues is from development of new markets for IRD's systems and products, particularly for toll road and weigh station systems in offshore markets. While revenues in 2004 were up by 11% over 2003, and in 2005 revenues were up 7% over 2004, in order to achieve significantly higher revenues it is important to IRD that spending on ITS technology in the U.S. return to the levels of a few years ago.

As a result of the long life cycle of government funded ITS programs, IRD has diversified its product offering and extended its geographic presence in current and new markets. The 2003 acquisition of the traffic business of PAT GmbH is significant in that it gives IRD access to markets in Europe, Asia and Chile where it was not previously competitive. The addition of in-vehicle systems and other OEM and IRD off-the-shelf products is also providing increasing customer and market diversification.

In 2005 IRD's offshore market sales held relatively stable at 28% of the Company's overall revenues, while sales in the domestic market increased slightly due to increased sales of weight enforcement systems in Canada. Growth in international markets is expected to resume in 2006, particularly in South America and India. Domestic markets, particularly in the U.S., will continue to be impacted in the first two quarters by delayed government funding for ITS projects.

Certain statements in this discussion may include "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of International Road Dynamics Inc. to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this discussion, such statements use such words as "may", "will", "expect", "anticipate", "project", "believe", "plan", and other similar terminology. The risks and uncertainties are detailed from time to time in reports filed by the Corporation with the securities regulatory authorities in applicable provinces and territories of Canada. New risk factors may arise from time to time and it is not possible for management to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance and achievements of the Corporation to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

As used herein, "EBITDA" means earnings before interest, income taxes, depreciation and amortization. EBITDA is not a recognized measure under Canadian generally accepted accounting principles ("GAAP"). Management believes that EBITDA is a useful supplemental measure to net earnings, as it provides investors with an indication of operating performance prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Corporation's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The Corporation's method of calculating EBITDA may differ from the methods by which other companies calculate EBITDA and, accordingly, EBITDA may not be comparable to measures used by other companies.

Management's Report

To the Shareholders of International Road Dynamics Inc.

The information in this report, including the financial statements, are the responsibility of management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial information elsewhere in the annual report has been reviewed to ensure consistency in all material respects with that contained in the financial statements.

International Road Dynamics Inc. maintains appropriate systems of internal control to provide reasonable assurance that the financial records provide relevant, reliable and accurate information.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for internal control and financial reporting. The Directors exercise this responsibility through the Audit Committee. This committee, which is comprised of non-employee Directors, meets with management and the external auditor to satisfy itself that management has properly performed its financial reporting responsibilities and to review the financial statements before they are presented to the Directors for approval. These financial statements have been approved by the Board of Directors as recommended by the Audit Committee.

KPMG LLP, an independent firm of Chartered Accountants, has been engaged to examine the financial statements and provide their auditors' report thereon. Their report is presented below.

Terry Bergan
President and
Chief Executive Officer

Lorne D. Green, CA
Vice President, Finance

Saskatoon, Canada
February 8, 2006

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of International Road Dynamics Inc. as at November 30, 2005 and 2004 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Saskatoon, Canada
February 8, 2006

INTERNATIONAL ROAD DYNAMICS INC.
Consolidated Balance Sheets

November 30, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Cash	**$ 873,827**	$ 632,823
Accounts receivable (note 3)	**10,398,038**	11,953,467
Investment tax credits recoverable	**230,000**	474,000
Inventory	**5,184,447**	5,191,353
Prepaid expenses and deposits	**439,821**	342,831
	17,126,133	18,594,474
Investment tax credits recoverable	**3,554,000**	2,900,000
Property, plant and equipment (note 4)	**4,408,078**	4,576,853
Intangible assets (note 5)	**67,208**	91,082
Equity investment	**197,488**	—
	$ 25,352,907	$ 26,162,409
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term loans (note 6)	**$ 4,941,075**	$ 6,294,275
Accounts payable and accrued liabilities	**2,991,135**	3,185,569
Income taxes payable	**178,080**	114,862
Deferred revenue	**223,825**	199,000
Current portion of long-term debt (note 7)	**484,000**	578,700
Future income taxes (note 8)	**477,000**	506,000
	9,295,115	10,878,406
Deferred revenue	**429,074**	319,606
Long-term debt (note 7)	**1,049,532**	1,530,185
Future income taxes (note 8)	**714,000**	610,000
Shareholders' equity:		
Share capital (note 9)	**11,860,920**	11,782,058
Contributed surplus	**119,843**	—
Retained earnings	**1,884,423**	1,042,154
	13,865,186	12,824,212
	$ 25,352,907	$ 26,162,409

See accompanying notes to consolidated financial statements.

On behalf of the Board:

T Bergan

Terry Bergan, Director

R. A. Harris

Ray Harris, Director

INTERNATIONAL ROAD DYNAMICS INC.

Consolidated Statement of Operations and Retained Earnings

Years ended November 30, 2005 and 2004

	2005	2004
Sales	$ 33,550,204	$31,356,042
Cost of sales	23,711,994	23,258,115
	9,838,210	8,097,927
Administrative and marketing expenses	7,078,565	7,209,061
	2,759,645	888,866
Research and development (note 10)	533,699	1,015,078
Earnings (loss) before other expenses (income)	2,225,946	(126,212)
Other expenses (income):		
Foreign exchange (gain) loss	14,738	(90,992)
Amortization	836,259	932,671
Interest on short-term debt	316,054	257,437
Interest on long-term debt	125,070	93,657
Interest and other income	(73,439)	(115,077)
Loss (income) from equity investment	(197,488)	92,340
	1,021,194	1,170,036
Earnings (loss) before income taxes	1,204,752	(1,296,248)
Provision for (recovery of) income taxes (note 8)		
Current	167,640	129,836
Future (recovery)	75,000	(509,000)
	242,640	(379,164)
Net earnings (loss)	962,112	(917,084)
Retained earnings, beginning of year		
As previously reported	1,042,154	1,959,238
Less stock based compensation of prior periods (note 9)	(119,843)	—
As restated	922,311	1,959,238
Retained earnings, end of year	$ 1,884,423	$ 1,042,154
Earnings per share (note 11)		
Basic	$ 0.07	$ (0.07)
Diluted	$ 0.07	$ (0.07)

See accompanying notes to consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.

Consolidated Statement of Cash Flows

Years ended November 30, 2005 and 2004

	2005	2004
Cash flows from (used in):		
Operations:		
Net earnings (loss):	$ 962,112	$ (917,084)
Items not involving cash:		
Amortization of property, plant and equipment and intangible assets	836,259	932,671
Common shares issued for expenses (note 9)	59,862	45,408
Loss (income) from equity investment	(197,488)	92,340
Provision for (recovery of) future income taxes	75,000	(509,000)
Deferred revenue	134,293	(322,603)
Investment tax credits recoverable	(410,000)	(920,000)
Change in non-cash working capital:		
Accounts receivable	1,555,429	573,894
Inventory	6,906	(635,477)
Prepaid expenses and deposits	(96,990)	(152,914)
Accounts payable and accrued liabilities	(194,434)	(168,600)
Income taxes payable	63,218	25,196
	2,794,167	(1,956,169)
Financing:		
Short-term loans	(1,353,200)	1,459,275
Increase in long-term debt	—	1,000,000
Repayment of long-term debt	(575,353)	(158,907)
Common shares issued for cash	19,000	164,787
	(1,909,553)	2,465,155
Investing:		
Additions to property, plant and equipment	(643,610)	(736,334)
Equity investment	—	(61,772)
	(643,610)	(798,106)
Increase (decrease) in cash	241,004	(289,120)
Cash, beginning of year	632,823	921,943
Cash, end of year	$ 873,827	$ 632,823
Supplemental cash flow disclosure:		
Interest paid	$ 441,457	$ 351,300
Income taxes paid	$ 104,228	$ 91,186

See accompanying notes to consolidated financial statements.

1. Significant accounting policies:

The consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles. Management makes various estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and revenues and expenses for each year presented. Changes in estimates and assumptions will occur based on the passage of time and the occurrence of certain future events.

(a) Principles of consolidation:
The consolidated financial statements include the financial statements of the Company and its subsidiaries, PAT Compania Limitada (Chile), International Road Dynamics Corporation (US) and IRD South Asia Pvt Ltd. (India). All significant inter-company accounts and transactions have been eliminated.

(b) Cash:
Cash consists of balances with financial institutions which have an original term to maturity of three months or less.

(c) Revenue recognition:
Revenue from contract projects is recorded on the percentage of completion basis.

The Company makes estimates of the percentage of completion of each project by comparing the actual costs incurred to the total estimated costs for the project. These estimates of total cost are subject to change, which would have an impact on the timing of revenue recognized.

Revenue which relates to service obligations originally extending beyond one year is deferred and recorded as a liability on the balance sheet. This revenue is recognized in the period during which the service is provided.

(d) Inventory:
Inventory is valued at the lower of cost and net realizable value.

(e) Equity investment:
Equity investments over which the Company is able to exercise significant influence are accounted for using the equity method whereby the investment is initially recorded at cost and the investment is increased or decreased to reflect the Company's proportionate share of the earnings or losses of the investee.

(f) Amortization:
Amortization is computed over the expected useful lives of the assets at 5% on buildings, 20% and 25% on office equipment and manufacturing equipment respectively, 30% on automotive and computer equipment and 100% on computer software based on the declining balance method. Work zone rental equipment is amortized on a straight-line basis over the number of deployed months to a maximum of 60 months. In the year of acquisition one-half of the normal rate is taken on net additions, with the exception of work zone rental equipment, where full depreciation is recorded when the assets are deployed.

(g) Translation of foreign currencies:
Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities, denominated in foreign currencies are translated into Canadian dollars at historical rates of exchange. Revenue and expenses are translated into Canadian dollars using the approximate rate of exchange on the date of the transactions. Revenues and expenses of foreign subsidiaries are translated at the average exchange rate for the year. The resulting gains or losses are included in the statements of operations.

(h) Derivative financial instruments and hedging transactions:
Derivative financial instruments are utilized by the Company to reduce exposure to fluctuations in foreign currency exchange rates. The Company may enter into foreign exchange contracts to hedge anticipated sales denominated in a foreign currency. The Company formally documents relationships between hedging instruments and hedged items, including linking all derivatives to specific assets and liabilities or to specific commitments or anticipated transactions.

The Company formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items. Gains and losses on foreign currency denominated derivative financial instruments used to hedge anticipated foreign currency denominated transactions are deferred and recognized in the same period as the corresponding hedged items. Gains or losses associated with derivative instruments which have been terminated prior to maturity are deferred under current assets or liabilities on the balance sheet and recognized in earnings in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold or extinguished prior to the termination of the related derivative instrument or the hedge is no longer effective or it is no longer probable that the anticipated transaction will occur substantially as and when identified on the inception of the hedging relationship, any realized or unrealized gain or loss on such derivative instrument is recognized in earnings.

1. **Significant accounting policies – continued:**

(i) Intangible assets:
Intangible assets include amounts related to patents and acquired technologies and are amortized on a straight-line basis over a period of ten to fifteen years based on the expected future lives of the intangible assets. A half year amortization is taken for additions in the first half of the year and additions in the second half of the year are not amortized until the following year.

The carrying value of intangible assets is periodically assessed by management and if management determines that the carrying value can not be recovered from future cash flows, the unrecoverable amount is written off against current earnings.

(j) Research and development costs:
The Company expenses research and development costs during the year in which they are incurred. Research and development tax credits are recognized in earnings when the Company has reasonable assurance that they will be utilized.

(k) Warranty costs:
The Company provides for future warranty costs based on management's estimate of future warranty liabilities. These estimates are subjective and actual warranty costs may vary from amounts estimated. Actual costs incurred are charged against the provision for future warranty costs.

(l) Future income taxes:
Future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is included in operations in the period which includes the enactment date. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

(m) Stock based compensation:
The Company has a stock based compensation plan, which is described in note 9. Effective December 1, 2004, the Company retroactively adopted the fair value based method of accounting for awards of stock options, whereby the fair value of stock options granted using the Black-Scholes option pricing model, are expensed over the vesting period of the options with a corresponding increase to contributed surplus. Consideration paid on the exercise of stock options is credited to share capital with a corresponding transfer from contributed surplus to share capital for amounts previously credited to contributed surplus on the initial expensing of the related stock option. Previously, no compensation expense was recognized when stock options were granted and any consideration paid on the exercise of stock options was credited to share capital.

(n) Earnings per share:
Basic earnings per share are computed by dividing net earnings by the weighted average shares outstanding during the reporting period. Diluted earnings per share are computed using the treasury stock method, which is similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised at the beginning of the year and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period.

2. **Business acquisitions and investments:**

During the year, the Company increased its investment in PAT Traffic Brazil from 37% to 40% and recorded an increase in its proportional share of the equity of PAT Traffic Brazil of $197,488. In 2004, the Company acquired a 37% equity interest in PAT Traffic Brazil at a cost of $61,772. Further, in 2004 the Company financed an inventory transfer to PAT Traffic Brazil in the form of a loan in the amount of $45,100. The Company recorded a decrease of the equity and loan account of $92,340 in 2004 to reflect the Company's proportionate share of losses during that year.

3. **Accounts receivable:**

	2005	2004
Trade receivables	**$ 7,630,504**	$ 7,492,225
Unbilled revenue	**2,478,373**	3,749,130
Other	**289,161**	712,112
	$ 10,398,038	$ 11,953,467

Unbilled revenue represents the excess of contract costs and estimated gross profits recognized over billings to date.

4. **Property, plant and equipment:**

		2005		2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 275,000	$ —	$ 275,000	$ 275,000
Buildings	2,818,255	663,664	2,154,591	2,261,365
Office equipment	838,177	599,686	238,491	257,092
Automotive	1,649,478	1,018,036	631,442	667,019
Computer equipment	1,391,436	982,018	409,418	485,281
Computer software	845,220	792,969	52,251	53,756
Manufacturing equipment	608,649	394,710	213,939	235,736
Work zone rental equipment	587,266	154,320	432,946	341,604
	$ 9,013,481	$ 4,605,403	$ 4,408,078	$ 4,576,853

Amortization of property, plant and equipment was $813,442 for 2005 and $738,055 for 2004.

5. **Intangible assets:**

		2005		2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Acquired technology	$ 100,146	$ 98,788	$ 1,358	$ 11,798
Patent costs	202,618	136,768	65,850	79,284
	$ 302,764	$ 235,556	$ 67,208	$ 91,082

6. **Short-term loans:**

	2005	2004
Royal Bank credit facility. Authorized to a maximum of $7.5 million with interest at bank prime plus 0.65% and secured by a general security agreement on all the assets of the Company. In 2004, the loans included $2,000,000 (CDN $2,373,200) denominated in US currency	$ 4,941,075	$ 6,294,275

The Company has issued letters of credit in the amount of $58,066 (US $49,659) (2004 - $1,121,500) as bid and performance guarantees on certain contracts.

The Company also has a revolving project financing facility, authorized to a maximum of $1.2 million with interest at bank prime plus 3.0% and secured by a first charge on certain accounts receivable and certain unbilled revenue and a second charge on all remaining assets of the Company. This facility was not utilized during the 2004 and 2005 fiscal years.

7. **Long-term debt:**

	2005	2004
Royal Bank mortgage repayable in monthly installments of $11,381 including interest at a fixed rate of 6.733%. Secured by first charge on the building and a general security agreement. Due August 1, 2007.	$ 1,112,094	$ 1,172,620
Royal Bank term loan repayable in monthly instalments of $42,000 plus interest at a rate of prime plus 1.25%. Secured by a general security agreement on the assets of the Company.	412,000	916,000
Other long-term debt with various repayment terms and a weighted average interest rate of 7.25%. Secured by certain assets of the Company.	9,438	20,265
	1,533,532	2,108,885
Less current portion	484,000	578,700
	$ 1,049,532	$ 1,530,185

The following represents the expected aggregate principal payments over the next two years:

2006	484,000
2007	1,049,532
	$ 1,533,532

8. Income taxes:

Income tax expense attributable to earnings differs from the amounts computed by applying the combined federal and provincial income tax rate of 39% (2004 – 39%) to pretax earnings as a result of the following:

	2005	2004
Earnings (loss) before income taxes	$ 1,204,752	$ (1,296,248)
Computed "expected" tax expense (recovery)	469,853	(505,537)
Increase (reduction) in income taxes resulting from:		
Non-deductible expenses	96,000	96,000
Manufacturing and processing profits deduction	(16,000)	66,000
Large corporations tax	—	10,000
Current year tax assessments	(28,213)	36,000
Non-taxable income from equity investments	(77,000)	—
Reduction due to lower rate of tax on foreign income	(202,000)	(81,627)
	$ 242,640	$ (379,164)

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below.

	2005	2004
Current future tax assets and liabilities:		
Future tax assets:		
Non-capital loss carryforwards	$ —	$ 247,000
Unclaimed research and development	400,000	638,000
	400,000	885,000
Future tax liabilities:		
Unbilled revenue	(831,000)	(1,290,000)
Investment tax credits	(46,000)	(101,000)
	(877,000)	(1,391,000)
Net current future income tax liability	$ (477,000)	$ (506,000)
Future non-current tax assets and liabilities:		
Future tax assets:		
Capital loss carryforwards	$ 92,000	$ 92,000
Less valuation allowance	(92,000)	(92,000)
	—	—
Future tax liabilities:		
Investment tax credits	(726,000)	(602,000)
Property and equipment and intangible assets	12,000	(8,000)
	(714,000)	(610,000)
Net non-current future tax liabilities	$ (714,000)	$ (610,000)

At November 30, 2005 the Company has $471,000 of allowable capital losses available to reduce taxes on future capital gains. In addition, at November 30, 2005 the Company has recognized investment tax credits of $3,784,000 as a result of its research and development activities. The Company recognized $410,000 of these tax credits in the current year (2004 - $920,000).

9. Share capital:

(a) Authorized and issued capital:

	2005	2004
Common voting shares. Authorized an unlimited number of shares, issued 13,831,503 shares (13,747,614 shares issued at November 30, 2004)	**$ 11,860,920**	$ 11,782,058

(b) Share transactions:
The Company had the following common share transactions during the 2005 and 2004 fiscal years:

	Number of shares	$ Amount
Balance, November 30, 2003	**13,566,177**	$ 11,571,863
Shares issued in exchange for expenses	**40,770**	45,408
Shares issued for employee stock options exercised	**140,667**	164,787
Balance, November 30, 2004	**13,747,614**	$ 11,782,058
Shares issued in exchange for expenses	**63,889**	59,862
Shares issued for stock options exercised	**20,000**	19,000
Balance, November 30, 2005	**13,831,503**	$ 11,860,920

(c) Options:
Under the terms of a stock option plan approved by the shareholders in May, 1997 and amended in 1998, the Company is authorized to grant officers, employees and others options to purchase common shares at prices based on the market price of shares as determined on the date of the grant. At November 30, 2005, 1,263,165 (2004 – 1,198,165) options remain available to be granted. Stock options become exercisable at dates determined by the Compensation Committee of the Board of Directors. Subsequent to the end of the year, 175,000 options were granted, 100,000 at $1.23 and 75,000 at $1.20. These options expire on November 30, 2010.

At November 30, 2005, the following stock options to officers, employees and others were outstanding:

	Options Outstanding			Options Exercisable	
Exercise Prices	Number Outstanding at November 30, 2005	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price	Number Exercisable at November 30, 2005	Weighted-Average Exercise Price
$ 1.01	10,000	0.50	$1.01	10,000	$1.01
$ 1.28	870,000	3.25	$1.28	3,750	$1.28
$ 1.30	10,000	1.00	$1.30	10,000	$1.30
	890,000			23,750	

The Company has granted stock options to officers, employees and others as follows:

	Number of Common Shares Issuable	Weighted Average Exercise Price
Outstanding, November 30, 2003	734,500	$ 1.35
Options granted	937,500	1.28
Options exercised	(140,667)	1.17
Options expired and cancelled	(556,333)	1.41
Outstanding, November 30, 2004	975,000	$ 1.28
Options granted	—	—
Options exercised	(20,000)	0.95
Options expired and cancelled	(65,000)	1.41
Outstanding, November 30, 2005	890,000	$ 1.28

Outstanding options expire between May 31, 2006 and February 28, 2009.

9. Share capital - continued:

The Company adopted, as required, CICA Handbook Section 3870, "Stock-based Compensation and other Stock-based Payments" in the current year and applied its provisions retroactively without restatement of prior periods. Under this new standard the cumulative fair value of awarded options since December 1, 2002, the effective date of the CICA standard requiring calculation and disclosure but not the expensing of stock-based compensation, in the amount of $119,843 has been charged to the current year's opening retained earnings. The fair value of stock options issued during 2004 was estimated using the Black-Scholes option pricing model with assumptions of three year weighted average expected option life, expected forfeiture rate of 50%, 22% volatility and risk-free rate of return of 2.31%. For the year ended November 30, 2004, the effect on compensation costs of using this approach would be to increase the net loss by $117,000, (reduction to net earnings of $2,843 for the 2003 fiscal year). On a per share basis, the 2004 pro forma net loss per share, after recognizing the fair value of the stock options would be $0.08 per share basic and diluted.

(d) Shareholders' rights plan:

The Company adopted a Shareholder Rights Plan (the "Plan"), which was approved by the shareholders at its annual meeting held on April 23, 1998. The Plan was established to deter coercive take-over tactics and to prevent an acquirer from gaining control of the Company without offering a fair price to all of the Company's shareholders. The Plan provides the Board of Directors and the shareholders of the Company with more time to fully consider any unsolicited takeover bid for the Company, and more time for the Board of Directors to pursue, if appropriate, other alternatives to maximize shareholder value.

Under the Plan, the Company will distribute one right in respect of each common share. The rights become exercisable eight trading days after the first public announcement of the acquisition of 20% of the common shares of the Company by any person or the announcement of a person's intention to commence a take-over bid, other than a "permitted bid" which would result in such person acquiring 20% of the Company's common shares. Each right may be exercised at a price of $20 to purchase that number of common shares of the Company which have a market value equal to two times the exercise price of the rights.

The requirements of a "permitted bid" include the following:

- the bid must be made by take-over bid circular to all holders of the Company's common shares;
- the bid must be subject to an irrevocable condition that no shares shall be taken up or paid for prior to a date which is not less than 60 days after the date of the bid and only if more than 50% of the outstanding common shares held by shareholders ("independent shareholders") other than the offeror and its related parties have been tendered to the bid;
- the bid must provide that shares may be deposited at any time during the bid period and that any shares so deposited may be withdrawn at any time during such period; and;
- if more than 50% of the common shares held by independent shareholders are tendered to the bid, the offeror must extend the bid for 10 days to allow shareholders who did not tender initially to take advantage of the bid if they so choose.

The Plan had an initial term of three years. The Plan contains a provision that, at or prior to the first annual meeting of shareholders following the third anniversary of the date of the Plan, the Board may submit a resolution to the shareholders approving the extension of the Plan for a further three years. At the Company's annual meeting held on May 12, 2005, the shareholders approved the extension of the Plan for a further three years. The extended Plan contains a provision that, at or prior to the first annual meeting of shareholders following the third anniversary of the date of the extended Plan, the Board may submit a resolution to the shareholders approving the extension of the Plan for a further three years.

(e) Normal Course Issuer Bid:

On January 31, 2005, the Toronto Stock Exchange approved a Normal Course Issuer Bid for the period from February 1, 2005 to January 31, 2006 for the purchase and cancellation of up to 600,000 common shares, representing 4.36% of its 13,747,614 shares then outstanding. To date, no shares have been purchased under this Issuer Bid.

10. Research and development:

	2005	2004
Research and development expenditures	$ 945,797	$ 1,937,586
Less grants and investment tax credits	412,098	922,508
	$ 533,699	$ 1,015,078

11. Earnings per share:

The computations for basic and diluted earnings per share are as follows:

	2005	2004
Net earnings (loss)	$ 962,112	$ (917,084)
Weighted average number of common shares outstanding:		
Basic	13,786,258	13,690,622
Effect of stock options	2,701	8,572
Diluted	13,788,959	13,699,194
Earnings per share:		
Basic	$ 0.07	$ (0.07)
Diluted	$ 0.07	$ (0.07)

The Company has stock options outstanding to purchase 890,000 common shares at November 30, 2005 (2004 – outstanding stock options to purchase 975,000 common shares). 880,000 of these options to purchase common shares at $1.28 to $1.30 per share (2004 – 945,000 options to purchase common shares at $1.16 to $1.60 per share) were excluded from the computation of diluted earnings per share because the options exercise price was greater than the average market price of the common shares for the reporting period.

12. Financial instruments:

(a) Foreign currency exchange risk:

The Company contracts the majority of sales in U.S. dollars. In order to manage exposure related to Canada / U.S. exchange rates, the Company from time to time enters into forward foreign exchange contracts. At November 30, 2005, the Company had sold forward $4.35 million USD at an average exchange rate of 1.1937 with a market value gain in these contracts of approximately $106,200 based on the actual exchange rate at November 30, 2005 of 1.1693. As these contracts have been designated as hedging instruments for accounting purposes, this gain has been deferred and will be recognized in earnings in 2006 and 2007, the same periods as the corresponding hedged items. At November 30, 2005, the Company also had sold forward $4.3 million USD at an average exchange rate of 1.1646 with a market value loss in this contract of approximately $20,200 based on the actual exchange rate at November 30, 2005 of 1.1693. As this contract has not been designated as a hedge for accounting purposes, this loss has been recognized and included in accounts payable at the end of the 2005 fiscal year. At November 30, 2004 the Company had sold forward $2.6 million USD at an average exchange rate of 1.2813. The market value gain inherent on these foreign exchange contracts was approximately $246,300 based on an actual exchange rate at November 30, 2004 of 1.1866. As these contracts were not designated as hedges for accounting purposes, this gain was recognized and included in accounts receivable at the end of the 2004 fiscal year.

(b) Credit risk:

Accounts receivable include amounts due from customers in both the government and private industry sectors which are subject to normal industry credit risks. Government accounts are considered secure and are normally not subjected to extensive credit reviews. Industry accounts are subjected to internal credit reviews to minimize risk of non-payment. Additionally, export sales to non-government customers are insured to the extent of 90% of the invoiced amount. The cost of this insurance is included in the statement of operations.

(c) Fair value of financial assets and liabilities:

The carrying amounts of the Company's financial assets and liabilities including cash, accounts receivable and accounts payable and accrued liabilities approximate fair value due to the short-term maturity of these items.

The fair value of the short-term loans and long-term debt approximates the carrying amounts due to recent negotiations or variable rates based on prime.

13. Segmented information:

The Company operates in one industry segment, the Intelligent Transportation Systems industry, which involves the engineering, software development, manufacturing and integration of products and systems to highway departments and industry to improve the efficiency of traffic flows.

The Company had sales in the following geographic areas:

	2005	2004
Canada	$ 6,097,223	$ 1,996,935
United States	18,102,648	19,623,964
Offshore	9,350,333	9,735,143
	$ 33,550,204	$ 31,356,042

14. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

IRD Board of Directors

Corporate Governance

At International Road Dynamics, we take governance and the interests of our shareholders very seriously. As a result, we are committed to open, timely and transparent shareholder communication. In addition, IRD's Board of Directors has implemented a comprehensive set of governance practices and procedures consistent with the Toronto Stock Exchange (TSX) Corporate Governance Guidelines. Full details can be found in the Company's Information Circular.

Standing, (left to right)

Sharon Parker
Secretary,
with the Company since 1980 and currently VP, Corporate Resources.

Terry Bergan
Director,
President and Chief Executive Officer, President since 1986 and CEO since 1994.

Dr. Arthur Bergan
Chairman of Board, Professor Emeritus of Civil Engineering at the University of Saskatchewan.

Dr. C. Michael Walton
Director,
Professor of Civil Engineering and Ernest H. Cockrell Centennial Chair in Engineering at The University of Texas at Austin.

Janice MacKinnon
Director,
Educator and former Minister of Saskatchewan Crown Investments Corporation and former Minister of Finance for the Province of Saskatchewan.

Seated, (left to right)

Harvey Alton
Director,
former Deputy Minister of Transportation and Utilities for the Province of Alberta and currently a consultant with Alton Management Services Inc.

Ray Harris
Director,
retired partner of the Canadian firm of Deloitte & Touche, Chartered Accountants and Consultants. He served the firm first in a client service capacity, then in a variety of management positions and finally as its Chairman.

Corporate Office

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E-mail: info@irdinc.com

Officers

Dr. Arthur Bergan
Chairman of the Board
Terry Bergan
President and Chief Executive Officer
Randy Hanson
Executive Vice President and Chief Operating Officer
Lorne Green
Vice President, Finance
Sharon Parker
Vice President, Corporate Resources

Legal Counsel

McKercher McKercher & Whitmore
300 - 374 3rd Avenue South
Saskatoon, Saskatchewan
Canada S7K 1M5

Auditors

KPMG LLP
600 - 128 4th Avenue South
Saskatoon, Saskatchewan
Canada S7K 1M8

Financial Services

Royal Bank of Canada
154 1st Avenue South
Saskatoon, Saskatchewan
Canada S7K 1K2

Shareholder Information

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3rd Floor, 510 Burrard Street
Vancouver, British Columbia
Canada V6C 3B9

Stock Exchange Listings
Toronto Stock Exchange

Stock Symbol
IRD

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INTERNATIONAL ROAD DYNAMICS INC.